BUILDING COMMUNITY, BUILDING LIVES FOR

FORTY YEARS

40 YEARS 1970 2010

Niagara Region

Building Community, Building Lives.

2010

Niagara Region Financial Report

The fiscal year ending December 31, 2010

BUILDING COMMUNITY, BUILDING LIVES FOR

FORTY YEARS

40

Niagara Region

Building Community, Building Lives.

2010 Niagara Region Financial Report

The fiscal year ending December 31, 2010

The Regional Municipality of Niagara

VISION

Niagara Region is a unified community of communities with diverse opportunities and qualities. Together we strive for a better tomorrow.

MISSION

Niagara Region will serve its residents, businesses and visitors through leadership, partnership and the provision of effective and community focused services.

VALUES

Our corporate values guide our decision-making and actions everyday.

WE SHOW RESPECT.
We treat everyone equitably with compassion, sensitivity and respect.

WE SERVE NIAGARA.
We serve Niagara with pride, care and excellence.

WE VALUE HONESTY.
We value honesty, integrity and trust.

WE PROMOTE CHOICE.
We believe in social, environmental and economic choices that support our diverse community.

WE FOSTER PARTNERSHIPS.
We foster collaboration and value partnerships.

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Canadian Award for Financial Reporting

Presented to

The Regional Municipality of Niagara, Ontario

For its Annual Financial Report for the Year Ended

December 31, 2009

A Canadian Award for Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units whose annual financial reports achieve the highest program standards for Canadian Government accounting and financial reporting.

President

Executive Director

For the sixth year in a row, Niagara Region received the Canadian Award for Financial Reporting. A recipient must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should be beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the financial picture, enhance an understanding of financial reporting and address user needs.

BUILDING COMMUNITY, BUILDING LIVES FOR

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Niagara Region

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2010

Year in Review

The Regional Municipality of Niagara Our

The fiscal year ending December 31, 2010

Prepared by the Office of the Chief Administrative Officer and the Corporate Services Department

NIAGARA REGIONAL GOVERNMENT

With a name made famous by a waterfall that attracts millions of visitors each year, Niagara is a culturally rich and historically significant region offering its 444,000 residents a mix of urban and rural living. One of the world's most fertile regions, Niagara boasts a diverse economy that includes manufacturing, tourism, agriculture and emerging sectors such as new media, green technology and bioscience. Located between two Great Lakes, Erie and Ontario, Niagara's many natural features and proximity to Toronto and to the United States, with which it shares a border, continue to shape the region's evolution as a centre of commerce and international tourism destination.

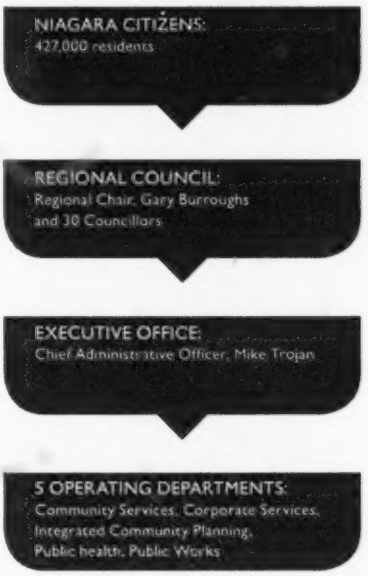
Niagara Region, which marked its 40th anniversary in 2010, is one of six regional governments in Ontario. On January 1, 1970, under the Regional Municipality of Niagara Act, 26 municipalities were merged into 12 area or lower tier municipalities and the counties of Lincoln and Welland were transformed into the upper-tier municipality of Niagara Region.

Regional government responsibilities, as delegated by the province of Ontario, include:

- Policing
- Water and Wastewater
- Waste Management
- Regional Arterial Roads
- Public Health
- Long-Term Care
- Children's Services
- Social Housing
- Paramedic and Emergency Services
- Economic Development
- Planning Services
- Conservation and Management of Natural Resources

Regional government operations are overseen by Niagara Regional Council which is composed of 30 elected representatives from 12 area municipalities, plus the Regional Chair. The current Regional Council was elected in October 2010 and the 31 members will serve for a four-year term to November 30, 2014.

CORPORATE ORGANIZATION CHART



FRONT ROW, LEFT TO RIGHT:
Bill Hodgson, Lincoln – Mayor
Barry Sharpe, Welland – Mayor
Brian McMullan, St. Catharines – Mayor
Vance Badawey, Port Colborne – Mayor
Gary Burroughs, Niagara Region – Chair
April Jeffs, Wainfleet – Mayor
Douglas Martin, Fort Erie – Mayor
Bob Bentley, Grimsby – Mayor
Douglas Joyner, West Lincoln – Mayor

CENTRE ROW, LEFT TO RIGHT:
Cindy Forster, Welland
George Marshall, Welland
Ted Luciani, Thorold – Mayor
Dave Augustyn, Pelham – Mayor
Dave Lepp, Niagara-on-the-Lake
David Barrick, Port Colborne
Debbie Zimmerman, Grimsby
Jim Diodati, Niagara Falls – Mayor
Selina Volpatti, Niagara Falls
Brian Baty, Pelham
Rona Katzman, St. Catharines
Tim Rigby, St. Catharines
Brian Heit, St. Catharines

BACK ROW, LEFT TO RIGHT:
Henry D'Angela, Thorold
Bruce Timms, St. Catharines
Mark Bylsma, Lincoln
Dave Eke, Niagara-on-the-Lake – Lord Mayor
Alan Caslin, St. Catharines
Bart Maves, Niagara Falls
Andrew Petrowski, St. Catharines
John Teal, Fort Erie
Barbara Greenwood, Niagara Falls

STRATEGIC THEMES FOR 2007 – 2011:

The 2007-2011 Council Business Plan evolves as actions are identified and department activities align with the following strategic themes:

A RESPONSIVE REGION

Be known for its effective decision-making, strong partnerships, clear accountability and service excellence.

COMMUNITY AND SOCIAL WELL-BEING

Support a safe, healthy, diverse, culturally rich community where people of all ages and incomes enjoy a high quality of life.

ECONOMIC PROSPERITY

Become a prime destination for investment and encourage the growth of a diversified and sustainable economic base.

ENVIRONMENTAL STEWARDSHIP

Increase the health and sustainability of its physical infrastructure and natural environment for current and future generations.

INTEGRATED TRANSPORTATION SYSTEM

Work collaboratively with others to strengthen and coordinate the transportation system and services, and support alternative choices for people and goods to move within and beyond the region.

PROACTIVE MARKETING AND COMMUNICATIONS

Have a consistent and compelling message of our interests and needs for the community to be a great place in which to live, study, work, visit and invest.

MESSAGE FROM THE REGIONAL CHAIR AND THE CHIEF ADMINISTRATIVE OFFICER

REGIONAL CHAIR,
Gary Burroughs

CAO,
Mike Trojan

On behalf of Regional Council and the employees of Niagara Region, we are pleased to provide you with our 2010 Annual Financial Report.

2010 marked the 40th anniversary of Niagara Region. A number of events and activities were held to celebrate four decades of providing programs and services to residents and businesses in Niagara. These included a gala dinner where members of the first Niagara Regional Council were honoured, the development of web information that highlights milestone achievements, the production of a 40th anniversary video and the development of a special curriculum on regional government for use in elementary schools.

In 2010, we also celebrated achievements such as approval to commence the development of a police facilities masterplan that will see a new headquarters constructed in Niagara Falls for the Niagara Regional Police Service. We engaged citizens in creating a Culture Plan that will help us maximize the economic benefits of Niagara's many cultural and historical assets. We embraced the challenges and opportunities that came with the Federal-Provincial Infrastructure Stimulus Funding, securing $66 million for much needed infrastructure projects. We moved forward on a plan to introduce an inter-municipal transit system. Our eight long-term care homes received a three-year accreditation from Accreditation Canada and our Public Health department received a three-year accreditation award from the Ontario Community Council on Community Health Accreditation, demonstrating an on-going commitment to continuous quality improvement. We also moved to a new level of public engagement on the Region's budget process, providing greater opportunity for residents to have their say on how the Region manages the resources entrusted to us.

This past year, Regional Council was pleased to join staff in accepting three awards for excellence, including the national IPAC/Deloitte Public Sector Leadership Award, for the development of software used to manage mass public immunizations. This achievement reaffirms that Niagara Region is committed to innovation and to continuously improving service to our residents and communities.

With the support of Council, we will continue to be a responsive and effective regional government. With a strong commitment to innovation, transparency and improved prosperity, our goal is to serve the needs of Niagara residents through the efficient delivery of quality programs and services.

Gary Burroughs
Regional Chair

Mike Trojan
Chief Administrative Officer

Corporate Management Team

MIKE TROJAN, CAO

DR. ROBIN WILLIAMS, MEDICAL OFFICER OF HEALTH

BRIAN HUTCHINGS, COMMISSIONER, CORPORATE SERVICES

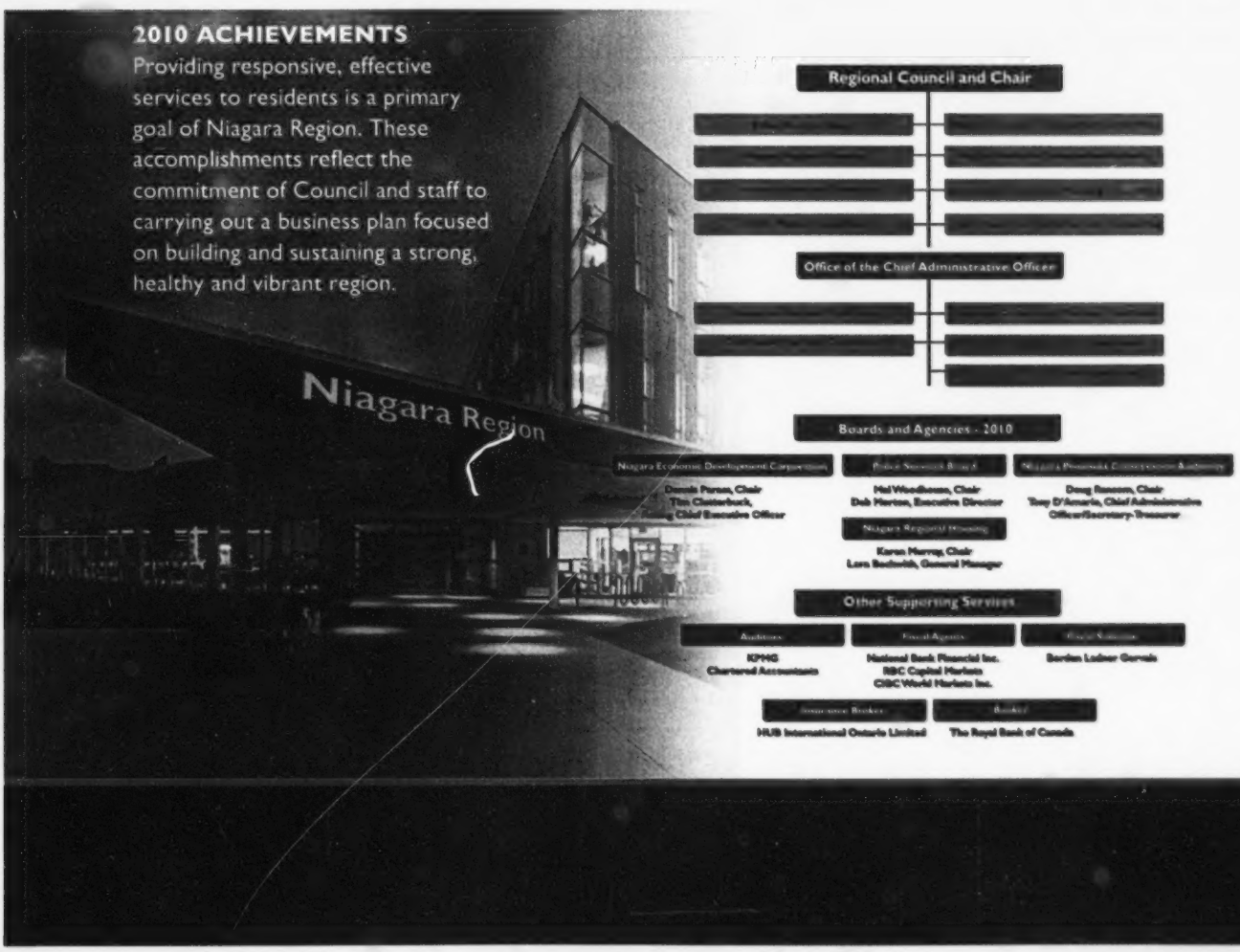
CATHY COUSINS ACTING COMMISSIONER, COMMUNITY SERVICES

KEN BROTHERS, COMMISSIONER, PUBLIC WORKS

PATRICK ROBSON, COMMISSIONER, INTEGRATED COMMUNITY PLANNING

2010 ACHIEVEMENTS

Providing responsive, effective services to residents is a primary goal of Niagara Region. These accomplishments reflect the commitment of Council and staff to carrying out a business plan focused on building and sustaining a strong, healthy and vibrant region.



2010 Achievements

HOLDING THE LINE ON TAXES

In keeping with the Region's commitment to taxpayer affordability, the 2010 operating budget approved by Regional Council resulted in a property tax decrease of 0.08 per cent. The net operating budget of $282.5 million achieved a balance between maintaining valued programs and services and the ability of ratepayers to pay for them. The budget development process for 2011 began in November 2010 and included two public consultation sessions – both streamed live on the internet – giving residents an unprecedented opportunity to help staff and Council shape the Region's budget priorities. The events drew more than 80 residents while another 210 participated online.

INVESTING IN INFRASTRUCTURE

By securing $66 million in Infrastructure Stimulus Funding (ISF) from the federal and provincial governments, the Region was able to complete two ISF projects in 2010 – the reconstruction of Mountain Road in Niagara Falls and Fly Road in Lincoln. Five more ISF projects were initiated and include the construction of a high-rate sewage treatment facility in Niagara Falls, upgrades to the Port Colborne Wastewater Treatment Plant, a major trunk sewer in Fort Erie and an odour control system for the expanded Wastewater Treatment Plant in Grimsby. In addition, a $36.3 million funding commitment from the federal and provincial governments was secured to replace the aging Burgoyne Bridge in St. Catharines. An environmental assessment will be undertaken in 2011 on this vital transportation link.

POLICE MASTERPLAN

An agreement between Niagara Regional Police Service and Niagara Region to develop a masterplan for police facilities was approved by Regional Council. The agreement paves the way for a new headquarters and district station to be built in Niagara Falls and a new district station in St. Catharines. The purchase of property, located at Highway 420, Portage Road and Valley Way, allows for construction of a new headquarters that will meet the operational needs of police within the $83 million cost limit established by Regional Council.

INTER-MUNICIPAL TRANSIT

Regional Council approved a plan to establish an inter-municipal transit service on a pilot basis. Under the plan, the Region will invest $3.7 million to acquire eight buses that will provide hourly service between St. Catharines, Niagara Falls and Welland with additional links between Niagara Falls and Fort Erie and Welland and Port Colborne. Beginning in 2011, the service will operate as a three-year pilot project by the transit authorities in St. Catharines, Niagara Falls and Welland. The Region will provide an additional $1.9 million in operating funding.

NIAGARA WEEK

Our top priorities of jobs and the economy, transportation and infrastructure were the subject of 34 meetings with senior Ontario government officials during our annual "Niagara Week" at Queen's Park. The meetings provided the opportunity to profile and advance key initiatives requiring provincial support, including the Economic Gateway Zone and Centre, a number of infrastructure projects and important health and social services issues. A reception hosted by the Region was attended by more than 50 MPPs, including the Premier, cabinet ministers and the Leaders of the Opposition parties.

FIGHTING POVERTY

Seven neighbourhoods – one each in Fort Erie, Port Colborne, Welland, Niagara Falls, Grimsby and two in St. Catharines – were the focus of the Region's poverty prevention and reduction efforts in 2010. The Niagara Prosperity Initiative (NPI), coordinated on behalf of the Region by the Business Education Council, invested $1.5 million in 36 projects delivered by 27 community agencies. The NPI strives to allocate resources where they will have the greatest effect. While some projects serve to meet the immediate needs of individuals living in poverty, others are focused on longer-term strategies which require stronger partnerships and improved coordination and planning across the public, private and voluntary (not for profit) sectors.

2010 Achievements

IMPROVED WASTE MANAGEMENT INITIATIVES

Regional Council approved a plan aimed at diverting more waste away from landfill sites. Waste collection changes include moving to weekly collection of blue, grey and green box material while imposing a one container limit on non-recyclables. A seven-year contract was also entered into with a new waste collection service provider, Emterra Environmental Inc.

ECONOMIC GATEWAY STATUS

Recognition of Niagara as a Gateway Economic Zone and Centre is an issue we continued to keep front and centre with the governments of Ontario and Canada. Acquiring these designations – with the assistance and support of the local business communities and academic institutions on both sides of the border – will enable us to secure both funding support for infrastructure and regulatory changes necessary to support the movement of goods and people across the international border. It will also help us foster the development of Niagara's growing green economy, which includes advanced manufacturing, agri-tourism and other emerging sectors.

LONG-TERM CARE HOMES PRAISED FOR QUALITY

The Region's eight long-term care homes were awarded three-year accreditation status by Accreditation Canada. In evaluating the homes' operations against a wide range of criteria, the accrediting body found that the homes were compliant with over 95 per cent of the approximately 400 standards. Participation in Accreditation Canada is voluntary and demonstrates the Region's commitment to upholding high quality standards of care and to continuous improvement.

PUBLIC HEALTH AWARDED THREE-YEAR ACCREDITATION

Niagara Region Public Health (NRPH) participated in a voluntary accreditation process through the Ontario Community Council on Community Health Accreditation and received a three-year award. NRPH demonstrated compliance with the 18 accreditation standards, which include 83 components. The intent of this practice is to examine organizational structure and administrative and management processes, offer recommendations for improvement, and highlight successes and accomplishments.

COMMITTED TO INNOVATION, OPERATIONAL EFFICIENCY

The Region completed its first solar energy project, installing 21 solar panels at Northland Pointe – one of the Region's eight long-term care homes – in Port Colborne. Used to heat water, the solar project is one of several energy-savings initiatives at the home, which together are expected to lower energy costs at the 150-bed home by $45,000 annually and reduce greenhouse gas emissions by 50 tons per year.

REGION WINS AWARD FOR H1N1 SOFTWARE

Niagara Region received three awards, including the prestigious IPAC/Deloitte Public Sector Leadership Award, for software developed to manage mass public immunizations. The Protocol for Electronic Clinic Systems (PECS) software was used in clinics set up by Public Health departments across Ontario in 2009 and 2010 to immunize the public against the flu virus. The technology has transformed clinics from paper-based operations into an innovative electronic model that improved customer satisfaction, clinic efficiency, record collection, and access to real time data that is up to 40 per cent faster.

IMPROVED ACCESS TO DENTAL CARE

Funded by the province's Healthy Smiles Ontario program, Niagara Region Public Health developed a program to improve access to community dental services. With a focus on youth and children without dental insurance, the program is awaiting the arrival of a new mobile dental unit that provides onboard dental services. It also includes oral screening in high schools and the building of new dental clinics within two community health centres in St. Catharines and Welland.

NEW FOOD SAFETY BY-LAW

To improve the safety of food handled in dining establishments, Regional Council passed a by-law making it mandatory for high and medium risk food operations to have valid Food Handler Certificates. The by-law, which will be phased in by 2014, requires establishments to have at least one owner/operator and one food handler to possess the certificate. Niagara Region Public Health offers the Food Handler Certification course.

NIAGARA EMS AWARDED COMMUNICATIONS CENTRE CONTRACT

After a successful five-year pilot, Niagara Region signed a performance agreement with the Ministry of Health and Long-Term Care enabling Niagara Emergency Medical Services (NEMS) to continue operating the Niagara ambulance communication centre. This achievement allows NEMS to pursue future innovations and technologies to further strengthen its capacity to respond to the emergency medical needs of our community.

CULTURE PLAN

As part of the Region's commitment to supporting a safe, healthy, diverse and culturally rich community, a culture plan for Niagara was developed to promote and build upon the region's many cultural assets and activities. The plan aims to create opportunities for communities to work together and to market Niagara as a destination of choice for businesses, residents and visitors.

INCREASED ACCESS TO

2010 Achievements

AFFORDABLE HOUSING

Niagara Regional Housing (NRH) secured $17 million under the federal and provincial Social Housing Renovation and Retrofit Program, enabling 48 housing providers to repair and update their buildings. The upgrades will result in increased energy efficiency and accessibility, decreased long-term maintenance and the long term sustainability of affordable housing communities across Niagara. During the past few years, 530 new Affordable Housing units have been created in partnership with private and non-profit developers across the region. Of these, 325 are now fully occupied and 205 are in various stages of development. In total, NRH has received a total funding commitment of $38 million under the Canada-Ontario Affordable Housing Program in response to the need for affordable housing.

WATERFRONT ENHANCEMENT

Efforts to increase public access to waterfronts in Niagara were demonstrated with the development of a Waterfront Enhancement Strategy. The purpose of the plan is to increase public ownership and access to waterfront lands, preserve and protect environment and heritage areas and to establish uses of waterfront lands that will benefit as many people as possible. As part of the strategy, the Region purchased 400 feet of beachfront on the Lake Erie shoreline in Wainfleet for public use and enhanced the site with parking, pathways and landscaping.

FORMER LANDFILL TRANSFORMED INTO PARK

Following a remarkable transformation, the former Elm Street Landfill in Port Colborne was officially re-opened as a public nature area. The park-like site, where native plants and flowers will thrive, features walking trails, a pavilion and a leash-free dog park for residents to enjoy. The landfill operated from the 1950's until 2008.

SUPPORT FOR CHARITY

The Annual Niagara Regional Chair's Charity Golf Tournament achieved a major milestone, surpassing the $1 million fundraising mark over its 13-year history. Proceeds from the 2010 event were used to establish financial assistance funds for Brock University and Niagara College. Over the years many worthwhile causes have benefited from this popular tournament. Meanwhile, Regional employees set a new record for donations to the United Way, contributing $192,300 during the 2010 annual giving campaign, exceeding the goal of $180,000.

BUILDING COMMUNITY, BUILDING LIVES FOR

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Niagara Region

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2010

Financial Year in Review

- Consolidated Financial Statements

Report from the Treasurer

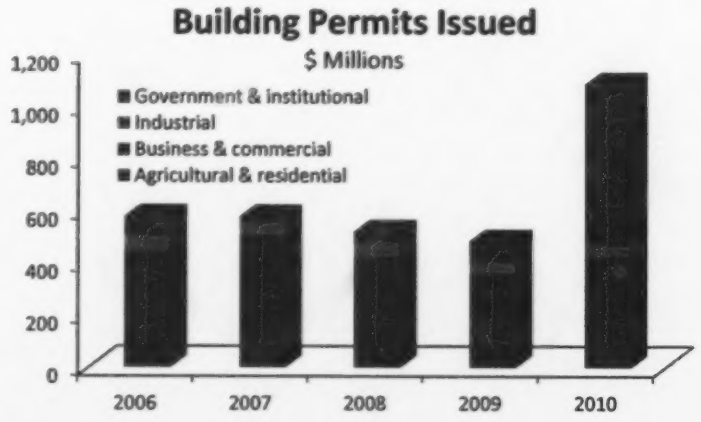
The Niagara Region provides services to 444,000 residents in 12 lower tier municipalities.

NIAGARA REGION'S ECONOMY

In 2010, the Region's economy grew by 3 per cent led by the industrial sector which grew 9.9 per cent. The industrial sector was highlighted by General Motors decision to invest $245 million in the St. Catharines powertrain facility and New Food Classics decision to relocate its meat production company to St. Catharines.

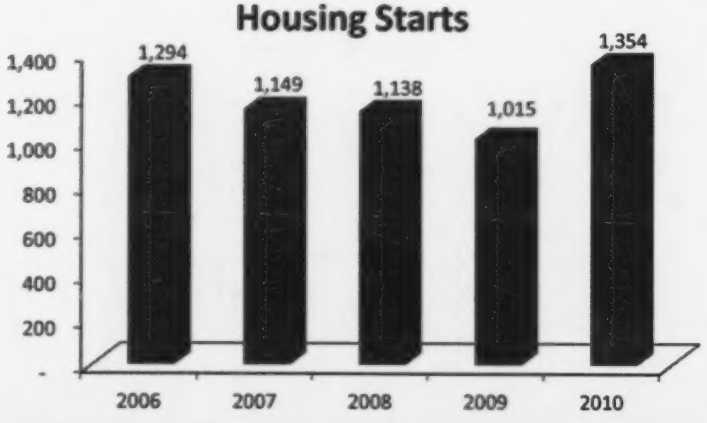
BUILDING PERMITS

The increase in building permit values from $483.5 million to $1,088 million is directly attributable to projects designed to make this region a better place to live and do business. These projects include the new Cancer Centre, Brock BioScience Centre, and infrastructure stimulus projects currently underway throughout the region. Important to note is the 28 per cent increase in agricultural and residential building permits.



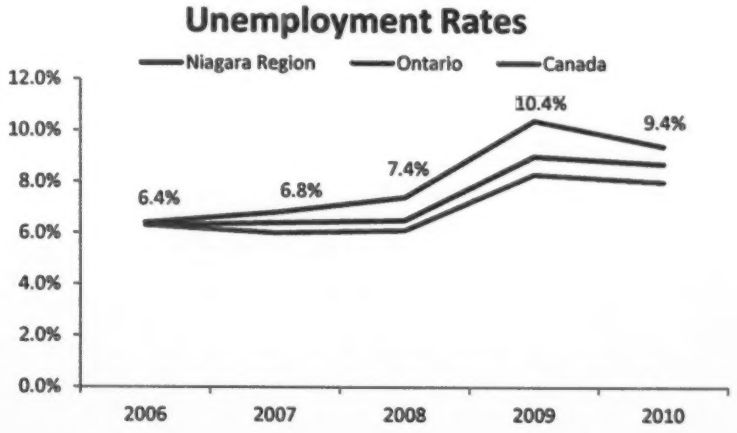
HOUSING STARTS

Matching the 28 per cent year over year increase in agricultural and residential building permit values is the 33 per cent year over year increase in housing starts.



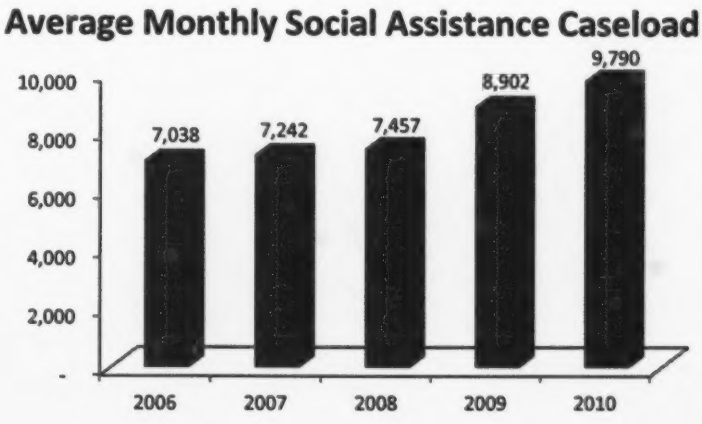
EMPLOYMENT RATES

The positive economic activity of 2010 translated into 5,000 jobs, helping to reduce the unemployment rate to 9.4 per cent. This remains a key challenge for the region as our unemployment rate ended the year 0.6 per cent above the provincial average. Staff will be supporting council to enhance the Region's ability to both attract new, and support, existing business. In 2011, this includes a review of current tax ratios with an underlining objective to reduce the proportion of property taxes paid by business.



SOCIAL ASSISTANCE CASELOADS

While the province's employment outlook improved, Niagara Region continued to see an increase in the average monthly social assistance caseload from 8,902 people in 2009 to 9,790 people in 2010, representing a 10 per cent increase. Our levy supports approximately 19.4 per cent of social assistance payments; therefore, any increase in caseloads challenges set budgets. Community Services continues to work diligently with each Ontario Works case and the province to provide programs to help those clients find employment opportunities.



REPORT FROM THE TREASURER CONT'D

AUDIT COMMITTEE

Regional Council has established an Audit Committee, responsible for ensuring, on behalf of the Corporate Services Committee and Council, that the following occur:

- the Region's annual consolidated financial statements are presented in accordance with generally accepted accounting principles and to recommend to Corporate Services Committee and Council whether the annual financial statements should be approved;
- the Region has implemented appropriate systems of internal control over financial reporting and they are operating effectively;
- the Region has implemented appropriate systems of internal control to ensure compliance with legal, regulatory and ethical requirements;
- the external audit function has been effectively carried out and any matter the independent auditors wish to bring to the attention of Audit Committee, Corporate Services Committee and/or Council has been addressed.

FINANCIAL MANAGEMENT AND CONTROL

The Region's management maintains a system of internal controls designed to safeguard assets and ensure transactions are properly authorized and recorded in compliance with legislative and regulatory requirements. The financial management and control systems of the Region are governed by various by-laws that prescribe the accounting, investment, risk management procedures and debt policy. These systems are subject to independent audit and are monitored and evaluated by management.

REPORT FROM THE TREASURER CONT'D

* The cost of Garbage, Recycling, Organics (Waste management) differs for each area municipality, $158 is the average cost. ** Services used by all regional departments: Finance, Legal, Human Resources, Facilities and Information Technology. *** Expenses not included in other budgets, includes Retiree Benefits, Grants for Community Funding, financial Expenses. **** Includes Communications, Clerks, Accessibility, Planning and Emergency Preparedness ***** Leadership and Governance for Niagara Region. ****** Includes Official Planning and Zoning y-laws

Water services are provided by the Region based on 25% fixed costs and 75% consumption. Wastewater services are provided by the Region based on 100% fixed costs. The typical annual cost for the Regional portion of your water for a family of four would be $246 and $248 for wastewater.

2010 BUDGET

The 2010 budget represented a balance between meeting the community's growing service demands and ensuring taxpayer affordability. For the first time in the past five years, Niagara residents received a property tax decrease net of assessment growth of 0.08 per cent.

COST OF REGIONAL SERVICES

The average tax per household for services provided by the Region in 2010 was $1,495. The following chart is a list of services provided by the Region with a breakdown of average cost per household.

Report from the Treasurer cont'd

2010 AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements contained in the 2010 Annual Financial Report have been prepared in accordance with Canadian public sector accounting standards as recommended by the Canadian Institute of Chartered Accountants. The statement and related information are the responsibility of management and include financial activities of all entities deemed to be controlled by the Region, including the Police Services Board, Niagara Regional Housing, and the Provincial Offences Court Administration.

The Municipal Act of Ontario requires the Region to appoint an independent auditor to express an opinion as to whether the financial statements present fairly, in all material respects, the Region's financial position and operating results. In discharging this duty, the auditors have complete access to all Regional records and meet regularly with staff to discuss policies, procedures, and process improvements arising from the audit. The auditors provide to Audit Committee a written audit findings report and management letter dealing with the adequacy of internal financial control systems as well as an audit opinion on the results of the financial statement audit.

2010 FINANCIAL HIGHLIGHTS

Niagara Region is a diversified government institution providing a wide range of services to its residents in the areas of general government, protections to persons and property, transportation services, environmental services, public health, social and family services, social housing, and planning and development.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Consolidated Statement of Financial Position reports on the Region's financial and non-financial assets, liabilities and accumulated surplus at December 31 of the current year on a comparative basis.

NET DEBT POSITION

Public Sector accounting standards for reporting require the Region to distinguish between financial and physical assets. Financial assets are those assets on hand, which could provide resources to discharge liabilities or finance future operations. The difference between financial assets and liabilities, or net financial assets (net debt), is an indicator of the Region's ability to finance future activities and to meet its liabilities and commitments.

In 2010, the Region moved from a net financial asset position of $2.5 million to a net debt position of $22.1 million. The shift to net debt results from $152.3 million in new debt issued to help finance the Region's capital program.

REPORT FROM THE TREASURER CONT'D

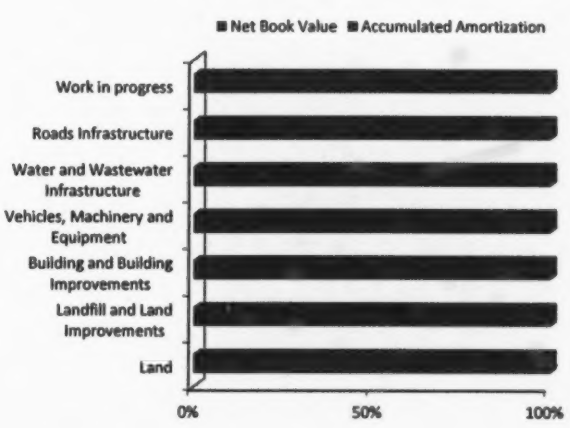
TANGIBLE CAPITAL ASSETS

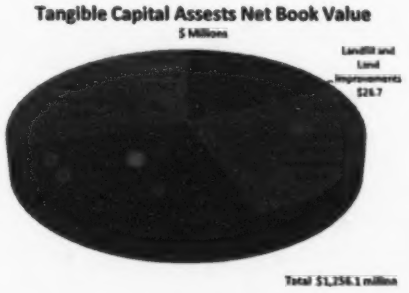
Tangible capital assets are a significant economic resource managed by governments and a key component in the delivery of many government programs.

The net book value of tangible capital assets reported in the Statement of Financial Position is $1,256.1 million and is highlighted by category in the accompanying chart. Total historical costs are $2,071.3 million and the total accumulated amortization is $815.2 million, implying that 39.3 per cent of the estimated useful life of the assets has been used to deliver programs and provide services. The net book value or remaining useful life can be used to estimate future capital spending requirements with the understanding that asset replacement costs may be significantly higher than historical cost.

During 2010, the Region acquired $155.5 million of tangible capital assets. The amortization expense reported in the Statement of Operations amounted to $57.6 million.

All capital acquisition projects are approved by Council ensuring that the appropriate project funding is in place.





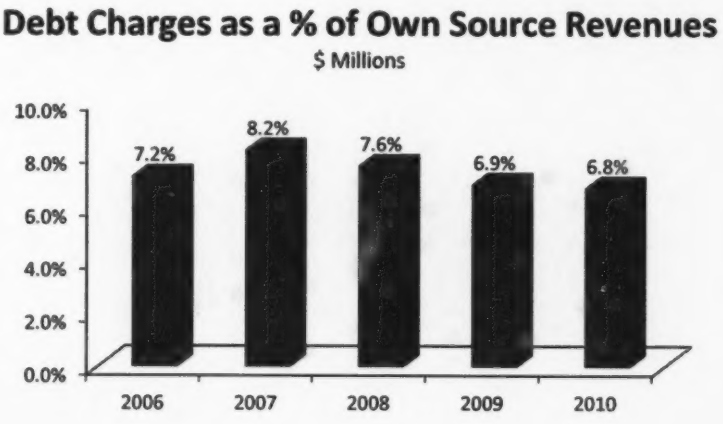
REPORT FROM THE TREASURER CONT'D

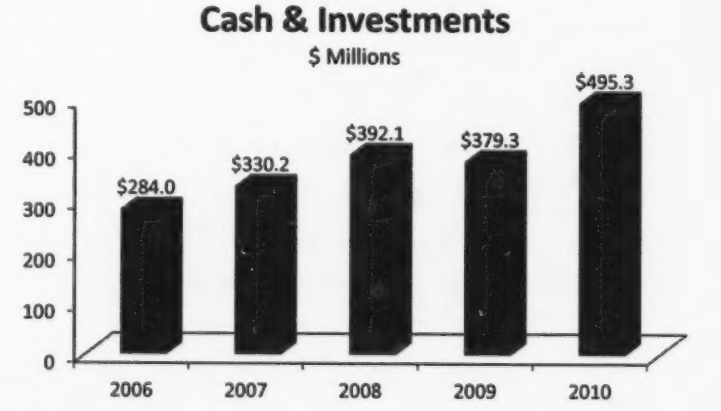
DEBT POSITION

The Region's debt practices are governed by provincial legislation and Regional Council's internal policies. The province's prescribed annual debt repayment limit stipulates that payments relating to all debt and other long-term financial obligations of a municipality may not exceed 25 per cent of own source revenues. This includes the annual tax levy, rate generated revenue, and user fees.

In 2010, net debt charges (principal and interest) totaled $35.5 million or 6.8 per cent of own source revenue as defined by the province. Total debt of $295.5 amounts to $665 per resident. The increase in total debt is a result of new debt issue to support a substantive capital program.

The Region's credit rating remains unchanged at 'AA' confirming its continued financial strength. This rating is confirmed annually by Standard and Poor's

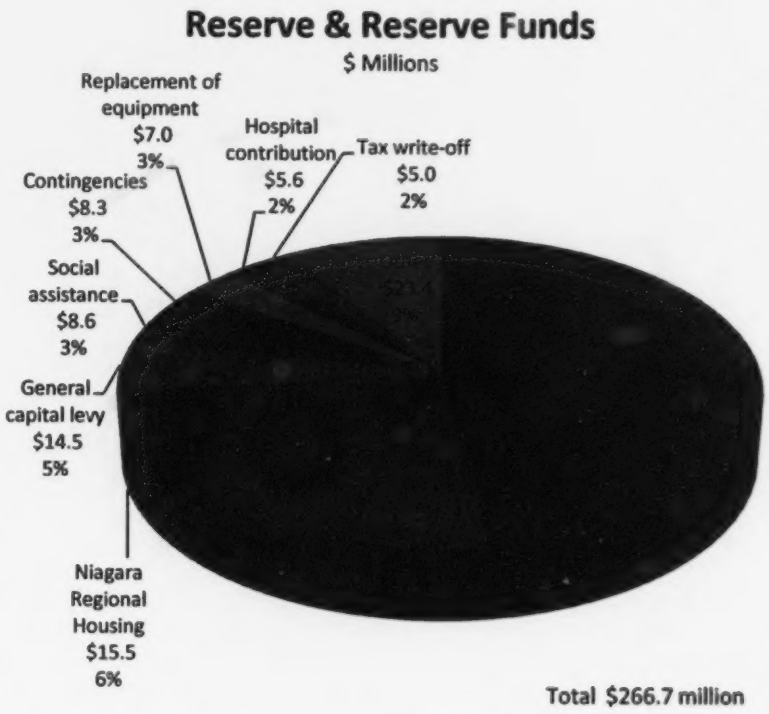




REPORT FROM THE TREASURER CONT'D

ACCUMULATED SURPLUS
Another important indicator in the Statement of Financial Position is the accumulated surplus. The accumulated surplus represents the net asset position of the Region, or financial assets plus non-financial assets less financial liabilities.

The accumulated surplus balance of $1,245.4 million consists of $960.6 million investment in tangible capital assets, $266.7 million in reserve and reserve funds, $141.6 million unexpended capital financing, a $2.4 million operating fund deficit, and $121.1 million in unfunded liabilities. The reserve and reserve fund of $266.7 million are highlighted by designated purpose in the accompanying chart.

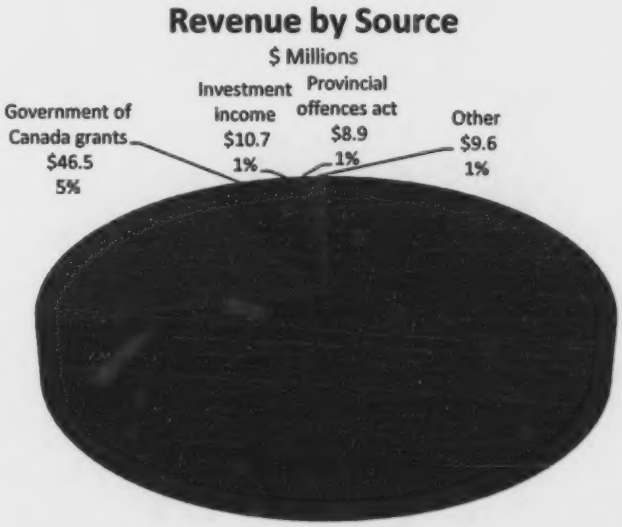


Report from the Treasurer cont'd

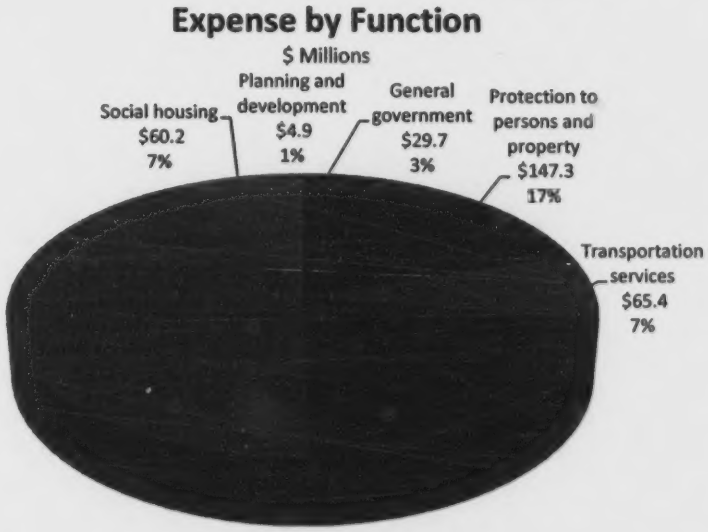
CONSOLIDATED STATEMENT OF OPERATIONS

The Consolidated Statement of Operations reports the Region's change in economic resources and accumulated surplus for 2010, on a comparative basis. Since annual revenue exceeded expenses the Region's accumulated surplus increased during the year.

The Consolidated Statement of Operations consolidates all revenue by source and expenses by function. Total revenues of $957.1 million include $301.8 million in taxation, $194.4 million in user charges including water and wastewater services, and $369.8 in government transfers. Expenditures on operations totaled $878.5 million, resulting in an annual surplus of $78.6 million.



Total $957.1 million


Expense by Function
$ Millions
Social housing $60.2 7%
Planning and development $4.9 1%
General government $29.7 3%
Protection to persons and property $147.3 17%
Transportation services $65.4 7%

Total $878.5 million

REPORT FROM THE TREASURER CONT'D

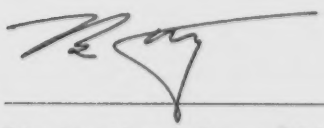
COMPARISON WITH PRIOR YEAR

In 2010, total revenues increased by $98.5 million or 11.5 per cent. The major contributor to the increase was additional government transfers for social assistance and infrastructure development resulting from a substantial capital program. This increase in revenues is offset by higher social assistance caseloads costs.

Compared with 2009, total expenditures grew by $58.7 million or 7.2 per cent. In addition to inflationary pressures on salaries, materials and services, additional costs were linked to higher social assistance caseloads. As well, new costs related to the Niagara Airport update and expansion, higher debt charges as a result of the new 2010 debt offering, and amortization expense resulting from the growing capital program.

2011 OUTLOOK

Current independent predictions suggest the Niagara economy will continue to grow in 2011. In March 2011, Council approved a 1.37 per cent reduction in property taxes. Staff and council will be working collaboratively to ensure the region continues to be an attractive place to live and do business in order to support economic growth and prosperity for its residents.



Brian Hutchings, B Comm, CGA,
Commissioner of Corporate Services/Treasurer

Report from the Treasurer cont'd

Consolidated Statement of Operations

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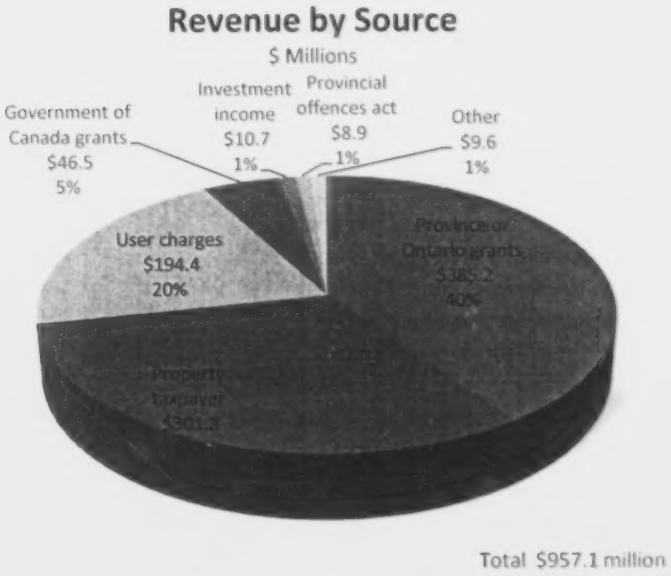
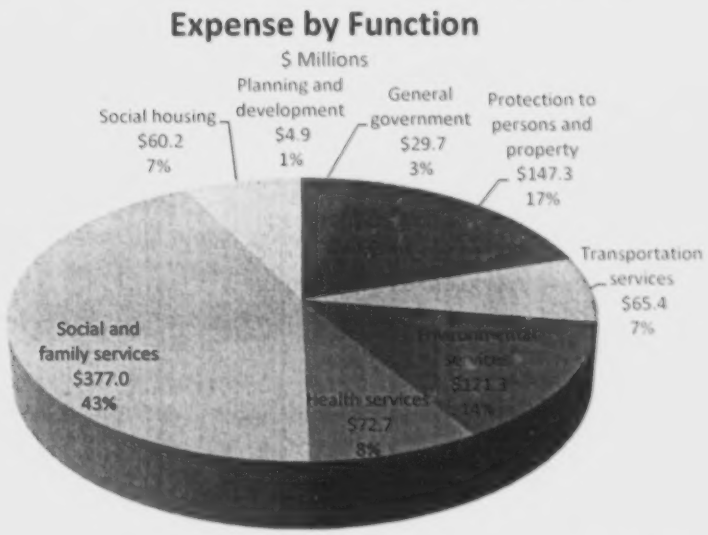

Revenue by Source
$ Millions
Government of Canada grants $46.5 5%
Investment income $10.7 1%
Provincial offences act $8.9 1%
Other $9.6 1%
User charges $194.4 20%
Province of Ontario grants $385.2 40%
Property taxpayer $301.8

Total $957.1 million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$ Millions
Social housing $60.2 7%
Planning and development $4.9 1%
General government $29.7 3%
Protection to persons and property $147.3 17%
Transportation services $65.4 7%
Social and family services $377.0 43%
Health services $72.7 8%

Total $878.5 million

Report from the Treasurer cont'd

REGION WITH PRIOR YEAR

In 2010, total revenues increased by $98.5 million or 11.5 per cent. The major contributor to the increase was additional government transfers for social assistance and infrastructure development resulting from a substantial capital program. This increase in revenues is offset by higher social assistance caseloads costs.

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Current independent predictions suggest the Niagara economy will continue to grow in 2011. In March 2011, Council approved a 1.37 per cent reduction in property taxes. Staff and council will be working collaboratively to ensure the region continues to be an attractive place to live and do business in order to support economic growth and prosperity for its residents.

Brian Hutchings, B Comm, CGA,
Commissioner of Corporate Services/Treasurer

THE REGIONAL MUNICIPALITY OF NIAGARA

INDEX | DECEMBER 31, 2010

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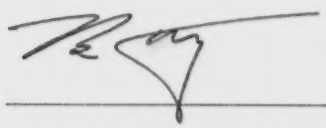
Management's Responsibility for the Financial Statements

The accompanying financial statements of The Regional Municipality of Niagara as at and for the year ending December 31, 2010 are the responsibility of the Region's management and have been prepared in compliance with legislation and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Region's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The audit committee meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by the Region. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Region's financial statements.



Brian Hutchings, B Comm, CGA
Commissioner of Corporate Services/Treasurer

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St. Catharines ON L2R 7A7

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Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
The Regional Municipality of Niagara

We have audited the accompanying consolidated financial statements of The Regional Municipality of Niagara, which comprise the statement of financial position as at December 31, 2010, the statements of operations, change in net (debt) financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair

presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated statement of financial position of The Regional Municipality of Niagara as at December 31, 2010, and its consolidated results of operations and its consolidated changes in net (debt) financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
May 26, 2011
St. Catharines, Canada

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. KPMG Canada provides services to KPMG LLP.

THE REGIONAL MUNICIPALITY OF NIAGARA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010, WITH COMPARATIVE FIGURES FOR 2009
(IN THOUSANDS OF DOLLARS)

	2010	2009
FINANCIAL ASSETS:		
Cash	$ 74,495	$ 41,399
Investments (note 2)	420,772	337,924
Accounts receivable (note 3)	92,924	71,506
Other current assets	735	1,928
Debt recoverable from others (note 7)	181,705	158,319
	770,631	611,076
FINANCIAL LIABILITIES:		
Accounts payable and accrued liabilities	121,931	90,673
Employee benefits and other liabilities (note 4)	81,293	79,272
Deferred revenue (note 5)	72,423	67,777
Landfill liability (note 6)	39,831	44,918
Long-term liabilities (note 7)	477,233	325,891
	792,711	608,531
Net (debt) financial assets	(22,080)	2,545
NON-FINANCIAL ASSETS:		
Tangible capital assets (note 8)	1,256,108	1,159,222
Inventory	3,766	3,410
Prepaid expenses	7,573	1,601
	1,267,447	1,164,233
Accumulated Surplus (note 9)	$ 1,245,367	$ 1,166,778

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

THE REGIONAL MUNICIPALITY OF NIAGARA

CONSOLIDATED STATEMENT OF OPERATIONS
DECEMBER 31, 2010, WITH COMPARATIVE FIGURES FOR 2009
(IN THOUSANDS OF DOLLARS)

	Budget (Unaudited – note 17)	2010	2009
REVENUES:			
Taxation and user charges:			
Requisitions on local governments	$ 300,251	$ 301,841	$ 297,212
User charges	190,714	194,413	183,247
	490,965	496,254	480,459
Government transfers:			
Government of Canada (note 15)	9,873	46,545	20,384
Province of Ontario (note 15)	348,915	385,173	318,140
Other municipalities (note 15)	11,050	3,432	6,977
	369,838	435,150	345,501
Other:			
Development charges earned	6,350	2,364	8,691
Investment income	7,465	10,650	11,503
Provincial offences	7,174	8,869	7,923
Miscellaneous	1,673	3,821	4,487
	22,662	25,704	32,604
Total revenues	883,465	957,108	858,564
Expenses:			
General government	31,991	29,709	27,443
Protection to persons and property	145,916	147,317	143,144
Transportation services	57,812	65,386	51,775
Environmental services	118,774	121,319	127,129
Health services	68,803	72,712	67,879
Social and family services	356,848	376,989	343,747
Social housing	51,343	60,188	53,931
Planning and development	4,525	4,899	4,804
Total expenses	836,012	878,519	819,852
Annual surplus	47,453	78,589	38,712
Accumulated surplus, beginning of year	1,166,778	1,166,778	1,128,066
Accumulated surplus, end of year	$ 1,214,231	$ 1,245,367	$ 1,166,778

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENT

THE REGIONAL MUNICIPALITY OF NIAGARA

CONSOLIDATED STATEMENT OF CHANGE IN NET (DEBT) FINANCIAL ASSETS
DECEMBER 31, 2010, WITH COMPARATIVE FIGURES FOR 2009
(IN THOUSANDS OF DOLLARS)

	Budget (Unaudited – note 17)	2010	2009
Annual surplus	$ 47,453	$ 78,589	$ 38,712
Acquisition of tangible capital assets	(155,006)	(155,506)	(114,821)
Amortization of tangible capital assets	57,576	57,576	55,568
Loss on sale of tangible capital assets	-	160	141
Proceeds on sale of tangible capital assets	156	884	233
Change in supplies of inventories	-	(356)	(23)
Change in prepaid expense	-	(5,972)	(865)
Change in net debt	(49,821)	(24,625)	(21,055)
Net financial assets, beginning of year	2,545	2,545	23,600
Net (debt) financial assets, end of year	$ (47,276)	$ (22,080)	$ 2,545

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

THE REGIONAL MUNICIPALITY OF NIAGARA

CONSOLIDATED STATEMENT OF CASH FLOWS
DECEMBER 31, 2010, WITH COMPARATIVE FIGURES FOR 2009
(IN THOUSANDS OF DOLLARS)

	2010	2009
Operating Activities:		
Annual surplus	$ 78,589	$ 38,712
Items not involving cash:		
Amortization	57,576	55,568
Loss on sale of tangible capital assets	160	141
Change in employee benefits and other liabilities	2,021	6,721
Change in landfill liability	(5,087)	1,153
Change in non-cash assets and liabilities:		
Accounts receivable	(21,418)	(12,045)
Other current assets	1,193	756
Accounts payable and accrued liabilities	31,258	7,740
Deferred revenue	4,646	6,581
Inventory	(356)	(23)
Prepaid expenses	(5,972)	(865)
Net change in cash from operating activities	142,610	104,439
Capital Activities:		
Proceeds on sale of tangible capital assets	884	233
Cash used to acquire tangible capital assets	(155,506)	(114,821)
Net change in cash from capital activities	(154,622)	(114,588)
Investing Activities:		
Proceeds from portfolio investments	397,320	321,846
Portfolio investments	(480,168)	(286,157)
Net change in cash from investing activities	(82,848)	35,689
Financing Activities:		
Debt issued and assumed	152,342	21,881
Long-term debt repaid	(24,386)	(24,515)
Net change in cash from financing activities	127,956	(2,634)
Net change in cash	33,096	22,906
Cash, beginning of year	41,399	18,493
Cash, end of year	$ 74,495	$ 41,399
Cash paid for interest	$ 10,306	$ 8,321
Cash received from interest	10,147	11,737

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010, WITH COMPARATIVE FIGURES FOR 2009
(IN THOUSANDS OF DOLLARS)

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1. SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements of The Regional Municipality of Niagara (the "Region") are prepared by management in accordance with Canadian public sector accounting standards as recommended by the Canadian Institute of Chartered Accountants. Significant accounting policies adopted by the Region are as follows:

(a) Basis of consolidation:

(i) Consolidated entities:

The consolidated financial statements reflect the assets, liabilities, revenues, expenses and fund balances of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Region and which are owned or controlled by the Region. These entities and organizations include:

Police Services Board
Niagara Regional Housing
Provincial Offences Act Operations

Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

(ii) Trust funds:

Trust funds and their related operations administered by the Region are not included in these financial statements.

(b) Basis of accounting:

The Region follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Investments:

Investments consist of bonds and money market notes and are stated at the lower of cost and market value. Gains and losses on investments are recorded when incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(d) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible Capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land and landfill sites, are amortized on a straight line basis over their estimated useful lives as follows:

ASSET	USEFUL LIFE - YEARS
Land improvements	3 - 50
Buildings and building improvements	3 - 90
Vehicles	4 - 15
Machinery and equipment	3 - 60
Water and wastewater infrastructure	5 - 100
Roads infrastructure - Base	40
- Surface	10

Landfill sites are amortized using the units of production method based upon capacity used during the year.

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Intangible assets:

Intangible assets and natural resources that have not been purchased are not recognized as assets in the financial statements.

(iv) Interest capitalization:

The Region's tangible capital asset policy does not allow for the capitalization of interest costs associated with the acquisition or construction of a tangible capital asset.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(d) Non-financial assets (continued):

(v) Leases:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related payments are charged to expenditures as incurred.

(vi) Inventories:

Inventories held for consumption are recorded at the lower of cost and replacement cost.

(e) Reserves and reserve funds:

Certain amounts, as approved by Regional Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are an adjustment to the respective fund when approved. Reserves and reserve funds are presented on the statement of financial position in accumulated surplus.

(f) Government transfers:

Government transfers received relate to social services, child care, housing and health programs. Government transfers paid relate to social services programs. Transfers are recognized in the financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(g) Deferred revenue:

Deferred revenues represent development charges, grants, user charges and fees which have been collected, but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

(h) Investment income:

Investment income earned is reported as revenue in the period earned. Investment income earned on development charge reserve funds is added to the fund balance and forms part of the deferred development revenue balance.

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, landfill liability and in performing actuarial valuations of employee future benefits. Amounts recorded for amortization of tangible capital assets are based on estimates of useful service life. Actual results could differ from these estimates.

2. INVESTMENTS:

Investments reported on the consolidated statement of financial position have market values as follows:

	2010		2009	
	Cost	Market Value	Cost	Market Value
Investments	$ 420,772	$ 424,789	$ 337,924	$ 342,429

3. ACCOUNTS RECEIVABLE:

Accounts receivable are reported net of a valuation allowance of $2,541 (2009 - $2,446).

4. EMPLOYEE BENEFITS AND OTHER LIABILITIES:

The Region provides certain employee benefits which will require funding in future periods. These benefits include sick leave, benefits under the Workplace Safety and Insurance Board ("WSIB") Act, and life insurance, extended health and dental benefits for early retirees.

	2010	2009
Future payments required to WSIB	$ 21,029	$ 19,866
Accumulated Sick Leave Benefit Plan entitlements	16,415	16,751
Retiree benefits	29,551	28,328
Vacation pay	11,127	11,824
Other liabilities	3,171	2,503
Total	$ 81,293	$ 79,272

The Region has established reserve funds to mitigate the future impact of these obligations. These reserve funds are presented in the statement of financial position in accumulated surplus. Reserves relating to these liabilities are as follows:

	2010	2009
Workplace safety and insurance	$ 16,110	$ 15,878
Cumulative sick leave	3,117	3,489
Police accumulated sick leave	5,114	5,351
Future health and dental claims	3,461	3,043
Other PSAB liabilities	6,777	6,759
Total	$ 34,579	$ 34,520

4. EMPLOYEE BENEFITS AND OTHER LIABILITIES (CONTINUED):

Information about the Region's benefit plans is as follows:

	2010	2009
Accrued benefit obligation:		
Balance, beginning of year	$ 82,605	$ 81,940
Current benefit cost	5,532	5,833
Interest	3,364	3,204
Increase due to plan amendment	-	4,348
Decrease due to prior valuation	-	(1,400)
Actuarial gain	-	(3,964)
Benefits paid	(7,566)	(7,356)
Balance, end of year	83,935	82,605
Unamortized actuarial loss	(2,642)	(3,333)
Liability for benefits	$ 81,293	$ 79,272

Included in expenditures is $691 (2008 – $691) for amortization of the actuarial loss. The unamortized actuarial loss is amortized over the expected average remaining service life as listed below:

Accumulated Sick Leave Benefit Plan entitlements	9 - 11 years
Retiree benefits	12 - 16 years

The unamortized actuarial loss on future payments required to WSIB is amortized over the expected period of the liability which is 10 years.

ACCUMULATED SICK LEAVE

Under the accumulated sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Region's employment.

4. EMPLOYEE BENEFITS AND OTHER LIABILITIES (CONTINUED):

WSIB

With respect to responsibilities under provisions of the Workplace Safety and Insurance Board ("WSIB") Act the Region has elected to be treated as a Schedule 2 employer and remits payments to the WSIB as required to fund disability payments. An actuarial estimate of future liabilities has been completed and forms the basis for the estimated liability reported in these financial statements. The most recent actuarial valuation was performed as at December 31, 2008.

The main actuarial assumptions employed for the valuation are as follows:

a) **Interest (discount rate):**
The obligation as at December 31, 2010, of the present value of future liabilities and the expense for the 12 months ended December 31, 2010, were determined using a discount rate of 5.0%.

b) **Administration costs:**
Administration costs were assumed to be 27.0% of the compensation expense.

c) **Compensation expense:**
Compensation costs, include loss of earnings benefits, health care costs and non-economic loss awards, were assumed to increase at rates ranging from 2.5% to 6.0%.

RETIREE BENEFITS

The Region pays certain life insurance benefits on behalf of the retired employees as well as extended health and dental benefits for early retirees to age 65 and Health Care Spending Accounts for certain retirees until the age of 70 or 75 depending on year of retirement. The Region recognizes these post-retirement costs in the period in which the employees rendered the services. The accrued benefit liability and the expense for the 12 months ended December 31, 2010, were determined by actuarial valuation using a discount rate of 5.0%. The most recent actuarial valuation was performed as at December 31, 2008.

4. EMPLOYEE BENEFITS AND OTHER LIABILITIES (CONTINUED):

RETIREE BENEFITS (CONTINUED)

The main actuarial assumptions employed for the valuations are as follows:

a) **Interest (discount rate):**
The obligation as at December 31, 2010, of the present value of future liabilities and the expense for the 12 months ended December 31, 2010, were determined using a discount rate of 5.0%.

b) **Medical costs:**
Medical costs were assumed to increase at the rate of 6 1/3% per year from 2011 reducing to 4.0% per year in 2018 and thereafter.

c) **Dental costs:**
Dental costs were assumed to increase at the rate of 4.0% per year.

OTHER PENSION PLANS

The Region makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2010 was $17,638 (2009 - $16,767) for current service and is included as an expenditure on the consolidated statement of operations. Employees' contribution to OMERS in 2010 was $17,638 (2009 - $16,767).

Contributions for employees with a normal retirement age of 65 were being made at rate of 6.4% for earnings up to the yearly maximum pensionable earnings of $47.2 and at a rate of 9.7% for earnings greater than the yearly maximum pensionable earnings. For uniformed police officers with a normal retirement age of 60, those rates were 7.9% and 13.1% respectively.

The OMERS pension plan has a deficit at December 31, 2010 of $4,467,000 based on actuarial valuation of plan assets. In response OMERS has increased contributions for both employees and employers by 1% for 2011, an additional 1% for 2012 and 0.9% for 2013. If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, additional increases in the contributions may be required.

5. DEFERRED REVENUE:

A requirement of PSAB is that obligatory reserve funds be reported as deferred revenue. The Region has obligatory reserve funds in the amount of $42,531 (2009 - $35,858). These reserve funds are considered obligatory as Provincial and Federal legislation restricts how these funds may be used and, under certain circumstances, how these funds may be refunded.

In the case of development charges, revenue recognition occurs after the funds have been collected and when the Region has approved the expenditures for the capital works for which the development charges were raised. These funds have been set aside, as required by the Development Charges Act, to defray the cost of growth related capital projects associated with new development.

The deferred revenues, reported on the consolidated statement of financial position, are made up of the following:

	2010	2009
Development Charges	$ 32,567	$ 24,486
Gasoline Tax	9,964	11,372
Investing in Ontario Grant	10,617	9,496
Other deferred revenue	19,275	22,423
	$ 72,423	$ 67,777

In addition, transaction activity in the obligatory reserve funds includes:

	2010	2009
Contribution from Development Charges Act	$ 10,406	$ 6,892
Contribution from Gasoline Tax Program	13,111	13,341
Development charges earned	(2,364)	(8,691)
Gasoline tax revenue earned	(14,584)	(4,533)
Interest income	104	50
	$ 6,673	$ 7,059

6. LANDFILL LIABILITY:

The Region owns and operates a number of landfill sites. As well, they own and monitor several landfill sites which have been closed. The liability for closure of operational sites and post-closure care has been recognized based upon the usage of the site's capacity during the year. The costs were based upon the 2011 budget and inflation adjusted at rates from 1.5% to 3.0% per annum until the estimated year of closure. These costs were then discounted to December 31, 2010 using a discount rate of 5.5%. Post-closure care is estimated to be required for 25 years from the date of site closure. The liability for closure and post-closure care as at December 31, 2010 is $39,831 (2009 - $44,918). Estimated expenses for closure and post-closure care are $45,807 (2009 - $49,148). The liability remaining to be recognized is $5,976 (2009 - $4,230). It is estimated that the life of the sites range from 1 to 40 years.

7. NET LONG-TERM LIABILITIES:

(a) In addition to long-term liabilities incurred directly, the Region has assumed the responsibility for the charges on debt originally incurred by local municipalities in respect of functions which are now a Regional responsibility.

As well as incurring long-term liabilities for regional purposes, the Region also incurs long-term liabilities on behalf of the Area Municipalities. The responsibility for raising the amounts required to service this debt lies with the respective Area Municipalities.

The balance of net long-term liabilities reported on the consolidated balance sheet is made up of the following:

	2010	2009
Long-term liabilities incurred by the Region (including capital lease)	$ 475,871	$ 324,151
Long-term liabilities assumed by the Region incurred by others	1,362	1,740
Long-term liabilities	477,233	325,891
Debt recoverable from others (long-term liabilities incurredby the Region for which other entities have assumed responsibility)	(181,705)	(158,319)
Net long-term liabilities, end of year	$ 295,528	$ 167,572

The long-term liabilities in (a) issued in the name of the Region have received approval of the Ontario Municipal Board for those approved on or before December 31, 1992. Those approved after January 1, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs.

7. NET LONG-TERM LIABILITIES (CONTINUED):

(c) In 2010 the Region issued sinking fund debentures of $78,079 for a 30 year term bearing interest at the rate of 5.2% per annum. The sinking fund debentures are included in long-term liabilities in (a) and include $9,333 borrowed on behalf of the City of St. Catharines and shown as debt recoverable from others. Starting in 2011, annual principal payments into the sinking fund of $1,512 are due June 30 of each year. These payments are reflected as principal repayments in (e).

(d) The Region is contingently liable for long-term liabilities with respect to tile drainage and shoreline property assistance and for those for which the responsibility for the payment of principal and interest has been assumed by area municipalities and school boards. The total amount outstanding as at December 31, 2010 is $181,705 (2009 - $158,319) and is reported on the consolidated statement of financial position as debt recoverable from others.

(e) Principal payments, including sinking fund contributions, due in each of the next five years are as follows:

2011	$ 31,040
2012	28,218
2013	25,369
2014	23,516
2015	22,586
Thereafter	164,799
	$ 295,528

(f) Total interest on net long-term liabilities which are reported on the consolidated statement of operations amounted to $11,076 in 2010 (2009 - $8,541). The long-term liabilities bear interest at rates ranging from 1.15% to 8.75%. The interest on long-term liabilities assumed by the municipalities and school boards or by individuals in the case of tile drainage and shoreline property assistance loans are not reflected in these financial statements.

(g) The Region has purchased $29,086 (2009 - $32,980) of its own debentures which have not been cancelled. This investment in own debentures is included in investments on the consolidated statement of financial position. The gross outstanding amount of these debentures is $80,977 (2009 - $91,604).

TANGIBLE CAPITAL ASSETS:

	2010							
	Land	Landfill and land improvements	Building and building improvements	Vehicles, machiery and equipment	Water and wastewater infrastruture	Roads infrastructure	Work in proress	Total
Cost								
Balance, beginning of year	$191,264	$54,791	$532,684	$385,980	$218,798	$473,193	$69,878	$1,926,588
Additions	3,521	5,220	19,435	25,056	28,173	27,775	46,326	155,506
Disposals	(560)	(488)	(494)	(7,138)	(9)	(2,116)	-	(10,805)
Balance, end of year	194,225	59,523	551,625	403,898	246,962	498,852	116,204	2,071,289
Accumulated Amortization								
Balance, beginning of year	-	30,576	199,799	265,382	45,785	225,824	-	767,366
Disposals	-	(488)	(491)	(6,933)	(8)	(1,841)	-	(9,761)
Amortization Expense	-	2,739	14,913	20,189	2,916	16,819	-	57,576
Balance, end of year	-	32,827	214,221	278,638	48,693	240,802	-	815,181
Net Book Value, end of year	$194,225	$26,696	$337,404	$125,260	$198,269	$258,050	$116,204	$1,256,108

TANGIBLE CAPITAL ASSETS (CONTINUED):

	2009							
	Land	Landfill and land improvements	Building and building improvements	Vehicles, machiery and equipment	Water and wastewater infrastructure	Roads infrastructure	Work in prorss	Total
Cost								
Balance, beginning of year	$189,299	$50,928	$519,456	$364,280	$189,380	$449,864	$57,158	$1,820,365
Additions	1,965	3,958	13,228	26,440	29,418	27,092	12,720	114,821
Disposals	-	(95)	-	(4,740)	-	(3,763)	-	(8,598)
Balance, end of year	191,264	54,791	532,684	385,980	218,798	473,193	69,878	1,926,588
Accumulated Amortization								
Balance, beginning of year	-	28,421	185,955	250,184	43,218	212,244	-	720,022
Disposals	-	(95)	-	(4,598)	-	(3,531)	-	(8,224)
Amortization Expense	-	2,250	13,844	19,796	2,567	17,111	-	55,568
Balance, end of year	-	30,576	199,799	265,382	45,785	225,824	-	767,366
Net Book Value, end of year	$191,264	$24,215	$332,885	$120,598	$173,013	$247,369	69,878	$1,159,222

8. TANGIBLE CAPITAL ASSETS (CONTINUED):

WORK IN PROGRESS
Work in progress having a value of $116,204 (2009 - $69,878) have not been amortized. Amortization of these assets will commence when the asset is put into service.

CONTRIBUTED TANGIBLE CAPITAL ASSETS
Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is $nil (2009 - $799).

TANGIBLE CAPITAL ASSETS DISCLOSED AT NOMINAL VALUES
Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

WORKS OF ART AND HISTORICAL TREASURES
No works of art or historical treasures are held by the Region.

9. ACCUMULATED SURPLUS:

Accumulated surplus consists of balances as follows:

	2010	2009
Surplus:		
Invested in tangible capital assets	$ 960,580	$ 991,650
Capital fund – Unexpended capital financing	141,579	49,044
Operating fund	(2,348)	1,519
Unfunded		
Landfill closure costs	(39,831)	(44,918)
Employee benefits	(81,293)	(79,272)
	978,687	918,023
Reserve and reserve funds set aside by Council:		
Brock and Niagara College	1,445	300
Children's services	699	697
Contingencies	8,286	12,158
Encumbrances	1,069	1,821
Employee benefits	34,579	34,520
General capital levy	14,512	9,470
General operating levy	2,837	6,925
Hospital contribution	5,630	4,630
Land ambulance severance	3,741	3,271
Niagara Regional Housing	15,485	16,130
POA facilities renewal	1,194	744
Public liability self insurance	2,508	2,266
Replacement of equipment	7,034	6,666
Senior services	3,188	2,557
Smart growth	1,911	1,921
Social assistance	8,622	11,088
Tax write-off	5,000	5,000
Transportation services	430	429
Waste management operations	16,389	15,924
Wastewater operations	62,417	47,329
Water operations	65,328	51,879
Other	4,376	13,030
	266,680	248,755
	$ 1,245,367	$ 1,166,778

10. TRUST FUNDS:

Trust funds administered by the Region amounting to $1,208 (2009 - $1,208) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

11. COMMITMENTS:

(a) The Region has outstanding contractual obligations of approximately $49,464 (2009 - $74,975) for housing redevelopments, capital works, and solid waste projects. Regional council has authorized the financing of these obligations.

(b) The Region is committed to paying principal and interest payments on provincial debentures issued to finance the properties transferred to Niagara Regional Housing from Ontario Housing Corporation. The debentures are outstanding in the amount of $22,367 (2009 - $23,741). Annual payments of $2,880 (2009 - $2,865) and have been charged to current operations.

(c) Minimum annual lease payments:
The Region rents premises and equipment with minimum annual lease payments as follows:

	2010	2009
2011	$ 1,703	$ 1,438
2012	1,290	1,007
2013	1,083	863
2014	912	663
2015	800	589
Thereafter	2,966	3,177
	$ 8,754	$ 7,737

12. CONTINGENT LIABILITIES:

From time to time, the Region is subject to claims and other lawsuits that arise in the ordinary course of business, some of which may seek damages. These claims are covered by the Region's insurance coverage up to a maximum of $15,000 per occurrence. Liability for these claims and lawsuits are recorded to the extent that the probability of a loss is likely and it is estimable.

13. PUBLIC LIABILITY INSURANCE:

The Region has undertaken a portion of the risk for public liability, as a means of achieving efficient and cost effective risk management. The Region is self insured for public liability claims up to $1,000. Outside coverage is in place for claims in excess of these amounts up to $15,000 per occurrence.

The Region has a reserve fund for allocated self insurance claims which as at December 31, 2010 amounted to $2,508 (2009 - $2,266) and which is reported on the consolidated statement of financial position under accumulated surplus. An amount of $235 (2009 - $nil) has been transferred to this reserve fund in the current year. An amount of $nil (2009 - $nil) has been transferred from this reserve fund in the current year.

Payments charged against operations in the current year amounted to $2,070 (2009 - $897). Interest amounted to $6 (2009 - $5).

14. SELF FUNDED EMPLOYEE BENEFIT PLANS:

The Region provides a group health and dental plan for certain employees and has assumed the full liability for payment of benefits under this plan.

Payments charged against operations in the current year amounted to $12,296 (2009 - $11,255).

15. GOVERNMENT TRANSFERS:

The Region recognized the transfer of government funding as expenses or revenues in the period that the events giving rise to the transfer occurred. The Government transfers reported on the Statement of Operations are:

	2010	2009
Revenue:		
Government of Canada:		
General government	$ 51	$ 2
Transportation services	11,761	779
Environmental services	23,743	8,793
Health services	66	-
Social and family services	749	781
Social housing	10,167	10,029
Planning and development	8	-
	46,545	20,384
Province of Ontario:		
General government	4	6,069
Protection to persons and property	3,916	3,690
Transportation services	4,017	2,860
Environmental services	26,841	5,710
Health services	45,265	43,564
Social and family services	293,465	249,571
Social housing	11,665	6,651
Planning and development	-	25
	385,173	318,140
Other municipalities:		
General government	402	330
Transportation services	1,219	4,324
Environmental services	1,368	2,307
Health Services	402	-
Social and family services	39	16
Planning and development	2	-
	3,432	6,977
Total revenues	$ 435,150	$ 345,501

16. SEGMENTED INFORMATION:

Segmented information has been identified based upon functional areas by the Region.

Previously segmented information was provided based upon lines of service. This change has been made to align the segmented information with Region activities. The comparative segmented information has been restated. This change has no financial effect.

The functions have been separately disclosed in the segmented information as follows:

(i) **General government:**
General government consists of the general management of the Region, including adopting bylaws and policy, levying taxes, issuing debentures and providing administrative, technical, facility management, and financial services.

(ii) **Protection to persons and property:**
Protection to persons and property is comprised of the Police Services and Provincial Offences (the "POA"). The mandate of Police Services is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. The POA is a procedural law for administering and prosecuting Provincial Offences including those committed under the Highway Traffic Act, the Compulsory Automobile Insurance Act, the Trespass to Property Act, the Liquor License Act and other provincial legislation, municipal by-laws and minor federal offences. The POA governs all aspects of the legal prosecution process, from serving an offence notice to an accused person to conducting trials including sentencing and appeals.

(iii) **Transportation services:**
Within the Public Works department, this segment is responsible for the planning, design, operation and maintenance of the roadway system, the maintenance of parks and open space, and street lights.

(iv) **Environmental services:**
Within the Public Works department, this segment is responsible for the engineering and operation of the water and wastewater systems and waste management, the latter of which encompasses solid waste collection and disposal and Niagara Recycling.

(v) **Health services:**
The Public Health department offers a range of programs related to health services that includes protection and promotion, disease and injury prevention and also oversees the Emergency Services division (ESD) that encompasses both Land Ambulance (Paramedic) Services and Land Ambulance Communications (Dispatch) Services.

16. SEGMENTED INFORMATION (CONTINUED):

(vi) Social and family services:
The Community Services department is responsible for providing public services that sustains and supports individuals, families and communities. Programs and services are delivered through Senior Services, Children's Services, and Social Assistance and Employment Opportunities.

(vii) Social housing:
The region is committed to providing and advocating for secure, affordable housing in the Region.

(viii) Planning and development:
The Integrated Community Planning department provides information to Council and the community through working with partners and community groups to support planning initiatives in the region, providing information to residents about Region programs and services, providing leadership in the development, maintenance and growth of the emergency readiness in Niagara, create Council documents, providing procedure advice, and preparing by-laws and communicates council's decisions, develops and implements Region Planning. The department also supports the Niagara Economic Development Corporation.

Certain allocation methodologies are employed in the preparation of segmented information. Taxation and payments-in-lieu of taxes are allocated to the segments based on the segment's budgeted net expenses. User charges and other revenue have been allocated to the segments based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made. Development charges earned and developer contributions received were allocated to the segment for which the charge was collected.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

16. SEGMENTED INFORMATION (CONTINUED):

	2010								
	General government	Protection to person and property	Transportation services	Environmental services	Health services	Social and family services	Social housing	Planning and development	Total
Revenues:									
Taxation	$ 27,941	$ 128,059	$ 39,632	$ -	$ 20,491	$ 50,718	$ 25,460	$ 9,540	$ 301,841
User charges	853	7,414	2,581	148,408	315	22,700	12,029	113	194,413
Government transfers	457	3,916	16,997	51,952	45,733	294,253	21,832	10	435,150
Development charges earned	-	-	1,229	1,135	-	-	-	-	2,364
Investment income	10,613	-	-	-	2	-	35	-	10,650
Provincial offenses	-	8,869	-	-	-	-	-	-	8,869
Other	777	461	221	223	1,062	512	541	24	3,821
Total revenues	40,641	148,719	60,660	201,718	67,603	368,183	59,897	9,687	957,108
Expenses:									
Salaries, wages and employee benefits	9,223	118,305	16,313	24,992	59,320	81,859	4,810	889	315,711
Operating expenses	13,584	14,993	28,026	71,376	11,798	48,539	25,345	1,873	215,534
External transfers	202	8,488	-	-	-	242,722	25,105	2,087	278,604
Debt services	1,307	788	3,734	3,377	94	1,469	275	50	11,094
Amortization	5,393	4,743	17,313	21,574	1,500	2,400	4,653	-	57,576
Total expenses:	29,709	147,317	65,386	121,319	72,712	376,989	60,188	4,899	878,519
Annual surplus (deficit)	$ 10,932	$ 1,402	$ (4,726)	$ 80,399	$ (5,109)	$ (8,806)	$ (291)	$ 4,788	$ 78,589

16. SEGMENTED INFORMATION (CONTINUED):

	2009								
	General government	Protection to person and property	Transportation services	Environmental services	Health services	Social and family services	Social housing	Planning and development	Total
Revenues:									
Taxation	$ 21,763	$ 119,760	$ 43,764	$ -	$ 20,969	$ 60,081	$ 24,806	$ 6,069	$ 297,212
User charges	816	6,993	2,519	138,146	329	22,282	12,084	78	183,247
Government transfers	6,401	3,690	7,963	16,810	43,564	250,368	16,680	25	345,501
Development charges earned	20	-	5,194	3,477	-	-	-	-	8,691
Investment income	11,501	-	-	-	2	-	-	-	11,503
Provincial offenses	-	7,923	-	-	-	-	-	-	7,923
Other	947	642	780	369	1,013	514	201	21	4,487
Total revenues	41,448	139,008	60,220	158,802	65,877	333,245	53,771	6,193	858,564
Expenses:									
Salaries, wages and employee benefits	8,972	115,457	16,461	23,601	55,731	79,493	4,417	856	304,988
Operating expenses	12,104	14,484	14,311	82,355	10,702	49,059	20,326	1,532	204,873
External transfers	100	7,435	-	-	-	211,277	24,702	2,356	245,870
Debt services	1,107	921	3,408	1,091	223	1,546	197	60	8,553
Amortization	5,160	4,847	17,595	20,082	1,223	2,372	4,269	-	55,568
Total expenses:	27,443	143,144	51,775	127,129	67,879	343,747	53,931	4,804	819,852
Annual surplus (deficit)	$ 14,005	$ (4,136)	$ 8,445	$ 31,673	$ (2,002)	$ (10,502)	$ (160))	$ 1,389	$ 38,712

17. BUDGET DATA:

The unaudited budget data presented in these consolidated financial statements are based upon the 2010 operating and capital budgets approved by Council. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements. Budgets established for tangible capital asset acquisitions are on a project-oriented basis, the costs of which may be carried out over one or more years. As such, it is not practical to present annualized budget information for the acquisition of tangible capital assets on the statement of change in net (debt) financial assets.

	Budget Amount
Revenues:	
Operating	$ 868,285
Capital:	
Development charges	6,350
Grants and subsidies	14,034
Other contributions	11,050
Less:	
Transfers from reserves	(16,098)
Proceeds on sale of tangible capital assets	(156)
Total revenue	883,465
Expenses:	
Operating	868,285
Add:	
Expense projects	19,401
Amortization	57,576
Employee future benefits	2,021
Less:	
Capital projects	(2,608)
Landfill liability	(5,086)
Capital Levy	(8,768)
Transfers to reserves, including capital	(18,516)
Transfers to rate supported reserves	(52,077)
Debt principal payments	(24,216)
Total expenses	836,012
Annual surplus	$ 47,453

18. COMPARATIVE FIGURES:

Certain 2009 comparative figures have been reclassified to conform to the consolidated financial statement presentation adopted in the current year. There was no impact to the annual or accumulated surplus as a result of the reclassification of the 2009 comparative figures.

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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
The Regional Municipality of Niagara

We have audited the accompanying financial statements of the trust funds of The Regional Municipality of Niagara, which comprise the statement of financial position as at December 31, 2010, and the statements of operations and change in net financial assets for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial

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statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the statement of financial position of the trust funds of the Regional Municipality of Niagara as at December 31, 2010, and its results of operations and its changes in net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
May 26, 2011
St. Catharines, Canada

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THE REGIONAL MUNICIPALITY OF NIAGARA

TRUST FUNDS STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010, WITH COMPARATIVE FIGURES FOR 2009
(IN THOUSANDS OF DOLLARS)

	2010	2009
FINANCIAL ASSETS		
Cash	$ 1,221	$ 1,188
Due from Regional Municipality of Niagara	-	20
	1,221	1,208
FINANCIAL LIABILITY		
Due to Regional Municipality of Niagara (Note 3)	13	-
Accumulated surplus and net financial assets	$ 1,208	$ 1,208

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

THE REGIONAL MUNICIPALITY OF NIAGARA

TRUST FUNDS STATEMENT OF OPERATIONS AND CHANGE IN NET FINANCIAL ASSETS
DECEMBER 31, 2010, WITH COMPARATIVE FIGURES FOR 2009
(IN THOUSANDS OF DOLLARS)

	Residents' Trust Accounts	Trust Funds Retained for Residents	Donated Surplus	Total 2010	Total 2009
Revenue:					
Residents' deposits, net	$ 1,199	$ -	$ -	$ 1,199	$ 1,297
Interest income	3	2	2	7	9
Donations	-	59	219	278	242
	1,202	61	221	1,484	1,548
Expense:					
Residents' withdrawals, net	1,228	-	-	1,228	1,315
Expenditures for the benefit of residents	-	57	199	256	251
	1,228	57	199	1,484	1,566
Annual surplus (deficit) and changes in net financial assets	(26)	4	22	-	(18)
Accumulated surplus and net financial assets, beginning of year (note 2)	636	282	290	1,208	1,226
Accumulated surplus and net financial assets, end of year	$ 610	$ 286	$ 312	$ 1,208	$ 1,208

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO TRUST FUNDS FINANCIAL STATEMENTS
DECEMBER 31, 2010, WITH COMPARATIVE FIGURES FOR 2009
(IN THOUSANDS OF DOLLARS)

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1. SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of trust funds of The Regional Municipality of Niagara are the representation of management prepared in accordance with Canadian public sector accounting standards, established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. Significant accounting policies adopted by the Trust Funds are as follows:

(a) Basis of accounting:
The Trust Funds follow the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as result of receipt of goods and services and/or the creation of a legal obligation to pay.

(b) Interest income:
Interest income is earned on the cash balance and is reported as revenue in the period earned.

(c) Tangible capital assets:
The net financial assets of the Trust Funds are resident deposits for the benefits of residents. No tangible capital assets are purchased by the Trust Funds.

2. RECLASSIFICATION IN OPENING BALANCES:

Throughout the year management has reviewed the classification of accumulated opening surplus between trust fund types resulting in a reclassification of opening accumulated surplus. There was no impact to the aggregate accumulated surplus as a result of the reclassification.

3. DUE TO (FROM) THE REGIONAL MUNICIPALITY OF NIAGARA:

The amount due to (from) The Regional Municipality of Niagara has no fixed terms of repayment and is non-interesting bearing.

4. STATEMENT OF CASH FLOWS:

Statement of cash flows has not been included in these financial statements as the information that would be provided is readily available from the information presented.

BUILDING COMMUNITY, BUILDING LIVES FOR

FORTY YEARS

40 YEARS 1970 2010

Niagara Region

Building Community, Building Lives.

2010 Five Year Statistical Review

THE REGIONAL MUNICIPALITY OF NIAGARA

FIVE YEAR STATISTICAL REVIEW
(UNAUDITED - IN THOUSANDS OF DOLLARS)

	2010	2009	2008	2007	2006
STATISTICS					
Population (a)	443,866	442,908	442,121	433,946	435,125
Number of households (b)	188,554	186,504	187,524	185,502	183,334
Niagara Region government full-time employees	3,402	3,367	3,303	3,270	3,234
Unemployment rates (c):					
Niagara Region	9.4%	10.4%	7.4%	6.8%	6.4%
Ontario	8.7%	9.0%	6.5%	6.4%	6.3%
Canada	8.0%	8.3%	6.1%	6.0%	6.3%
Average monthly Ontario Works caseloads	9,790	8,902	7,457	7,242	7,038
Housing starts (d)	1,354	859	1,138	1,149	1,294
Annual disposal residential solid waste (metric tonnes)	116,883	115,338	120,507	120,911	112,554
Annual diversion of residential solid waste (metric tonnes)	84,901	90,579	85,736	85,331	87,188
Annual supply of treated water (000 m3)	59,432	58,857	60,793	67,993	66,411
Annual wastewater flows (000 m3)	73,099	79,548	87,857	76,789	87,011
BUILDING PERMIT VALUES					
Agricultural & residential	$ 284,196	$ 222,085	$ 315,642	$ 326,128	$ 343,026
Business & commercial	141,573	140,237	111,210	186,457	105,853
Industrial	40,777	41,096	48,925	41,823	54,613
Government & Institutional	621,133	80,090	44,584	22,691	74,725
	$ 1,087,679	$ 483,508	$ 520,361	$ 577,099	$ 578,217

Source:
(a) Statistics Canada preliminary estimate
(b) Ontario Assessment System, household counts for unconditional grants act
(c) Statistics Canada
(d) CMHC Canadian Housing Observer

THE REGIONAL MUNICIPALITY OF NIAGARA

FIVE YEAR STATISTICAL REVIEW
(UNAUDITED - IN THOUSANDS OF DOLLARS)

	2010	2009	2008	2007	2006
AREA MUNICIPALITIES TAX LEVY & COLLECTION EXPERIENCES					
Current tax levy	n/a	$738,102	$721,348	$702,625	$678,007
Current tax levy collections	n/a	$683,645	$669,125	$655,882	$631,716
Current collection as a % of current levy	n/a	92.6%	92.8%	93.3%	93.2%
Total collections	n/a	$733,517	$712,056	$696,966	$678,319
Total collections as a % of current levy	n/a	99.4%	98.7%	99.2%	100.0%
Total tax arrears	n/a	$65,247	$59,948	$56,124	$52,874
Tax arrears as a % of current levy	n/a	8.8%	8.3%	8.0%	7.8%
Regional government tax levy change (Net assessment increase/decrease)	-0.08%	1.24%	0.04%	2.10%	1.97%
TAXABLE ASSESSMENT (Taxable assessment upon which the year's rate of taxation were set)					
Residential and farm	$33,647	$31,667	$29,655	$29,286	$28,878
Commercial, industrial and business	5,682	5,419	5,222	5,143	5,069
Total	$39,330	$37,086	$34,878	$34,429	$33,947
Per household	$178,451	$169,796	$158,145	$157,875	$157,516
Commercial, industrial, business, as a % of taxable assessment	14.4%	14.6%	15.0%	14.9%	14.9%

THE REGIONAL MUNICIPALITY OF NIAGARA

FIVE YEAR STATISTICAL REVIEW

(UNAUDITED - IN THOUSANDS OF DOLLARS)

	2010	2009	2008	2007	2006
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)					
Annual surplus	$ 78,589	$ 38,712	$ 45,749	$ 61,772	n/a
Acquisition of tangible capital assets	(155,506)	(114,821)	(66,222)	(87,126)	n/a
Amortization of tangible capital assets	57,576	55,568	53,840	52,912	n/a
Loss on sale of tangible capital assets	160	141	406	946	n/a
Proceeds on sales of tangible capital assets	884	233	214	169	n/a
Change in supplies of inventories	(356)	(23)	(231)	252	n/a
Change in prepaid expenses	(5,972)	(865)	115	(88)	n/a
Change in net financial assets (net debt)	(24,625)	(21,055)	33,871	28,837	n/a
Net financial assets (net debt), beginning of year	2,545	23,600	(10,271)	(39,108)	n/a
Net financial assets (net debt), end of year	$(22,080)	$ 2,545	$ 23,600	$(10,271)	n/a
NET LONG TERM LIABILITIES					
General municipal activities - capital projects	$ 295,528	$ 167,572	$ 170,206	$ 192,689	$ 202,449
Per capita ($)	$ 666	$ 378	$ 385	$ 444	$ 465
Percentage of taxable assessment	0.8%	0.5%	0.5%	0.6%	0.6%
Commercial, industrial and business					
DEBT CHARGES FOR NET LONG-TERM LIABILITIES					
General municipal activities	$ 35,480	$ 33,068	$ 35,824	$ 37,847	$ 31,953
Per capita ($)	$ 80	$ 75	$ 81	$ 87	$ 73
GENERAL LONG-TERM DEBT CHARGES AS % OF TOTAL GENERAL EXPENDITURES					
Percentage of debt to general expenditures	4.0%	4.0%	4.7%	5.0%	4.1%
ANNUAL REPAYMENT LIMIT					
Annual repayment limit	$ 87,754	$ 81,724	$ 82,763	$ 82,289	$ 68,400

NOTE:

IN 2008, FINANCIAL REPORTING HAS CHANGED TO REFLECT THE NEW REQUIREMENTS UNDER PUBLIC SECTOR ACCOUNTING BOARD (PSAB) STANDARD 3150 - ACCOUNTING FOR TANGIBLE CAPITAL ASSETS. STATISTICAL INFORMATION FOR 2006 HAS NOT BEEN RESTATED, HOWEVER, IT HAS BEEN PROVIDED IN THE PRIOR FORMAT. SEE PG 67-69.

THE REGIONAL MUNICIPALITY OF NIAGARA

FIVE YEAR STATISTICAL REVIEW
(UNAUDITED - IN THOUSANDS OF DOLLARS)

	2010	2009	2008	2007	2006
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
FINANCIAL ASSETS					
Cash	$ 74,495	$ 41,399	$ 18,493	$ 13,250	n/a
Investments	420,772	337,924	373,613	316,901	n/a
Accounts receivable	92,924	71,506	56,434	54,470	n/a
Other current assets	735	1,928	2,684	2,394	n/a
Debt recoverable from others	181,705	158,319	158,843	158,666	n/a
Total financial assets	770,631	611,076	610,067	545,681	n/a
FINANCIAL LIABILITIES					
Accounts payable and accrued liabilities	121,931	90,673	82,932	70,143	n/a
Employee benefits and other liabilities	81,293	79,272	72,551	68,456	n/a
Deferred revenue	72,423	67,777	58,170	24,018	n/a
Landfill liability	39,831	44,918	43,765	41,980	n/a
Long-term liabilities	477,233	325,891	329,049	351,355	n/a
Total financial liabilities	792,711	608,531	586,467	555,952	n/a
Net financial assets (net debt)	(22,080)	2,545	23,600	(10,271)	n/a
NON-FINANCIAL ASSETS					
Tangible capital assets	1,256,108	1,159,222	1,100,343	1,088,581	n/a
Inventory	3,766	3,410	3,387	3,156	n/a
Prepaid expenses	7,573	1,601	736	851	n/a
Total non-financial assets	1,267,447	1,164,233	1,104,466	1,092,588	n/a
Accumulated surplus	$ 1,245,367	$ 1,166,778	$ 1,128,066	$ 1,082,317	n/a

Note:
IN 2008, FINANCIAL REPORTING HAS CHANGED TO REFLECT THE NEW REQUIREMENTS UNDER PUBLIC SECTOR ACCOUNTING BOARD (PSAB) STANDARD 3150 - ACCOUNTING FOR TANGIBLE CAPITAL ASSETS. STATISTICAL INFORMATION FOR 2006 HAS NOT BEEN RESTATED, HOWEVER, IT HAS BEEN PROVIDED IN THE PRIOR FORMAT. SEE PG 67-69.

THE REGIONAL MUNICIPALITY OF NIAGARA

FIVE YEAR STATISTICAL REVIEW

(UNAUDITED - IN THOUSANDS OF DOLLARS)

	2010	2009	2008	2007	2006
CONSOLIDATED STATEMENT OF OPERATIONS					
REVENUES BY SOURCE					
Property taxpayer	$ 301,841	$ 297,212	$ 291,559	$ 289,257	n/a
Sewer charges	60,339	58,606	56,808	55,293	n/a
Water charges	41,709	37,040	33,471	35,418	n/a
Waste management	46,101	42,182	41,460	39,562	n/a
User charges	46,264	45,419	45,315	44,197	n/a
Government of Canada grants	46,545	20,384	16,026	14,112	n/a
Province of Ontario grants	385,173	318,140	295,070	297,150	n/a
Other municipalities	3,432	6,977	4,178	8,441	n/a
Development charges	2,364	8,691	4,052	3,719	n/a
Developer contributions	135	1,326	2,171	1,718	n/a
Investment income	10,650	11,503	15,157	14,788	n/a
Provincial offences act	8,869	7,923	7,298	7,023	n/a
Miscellaneous income/other	3,686	3,161	2,544	5,681	n/a
Total revenue by source	957,108	858,564	815,109	816,359	n/a
EXPENSE BY FUNCTION					
General government	29,709	27,443	30,151	24,149	n/a
Protection to persons and property	147,317	143,144	137,684	131,274	n/a
Transportation services	65,386	51,775	44,906	45,892	n/a
Environmental services	121,319	127,129	119,049	107,056	n/a
Health services	72,712	67,879	63,714	61,330	n/a
Social and family services	376,989	343,747	319,990	332,315	n/a
Social housing	60,188	53,931	49,274	46,878	n/a
Planning and development	4,899	4,804	4,592	5,693	n/a
Total expenses by function	878,519	819,852	769,360	754,587	n/a
ANNUAL SURPLUS	78,589	38,712	45,749	61,772	n/a
Accumulated surplus, beginning of year	1,166,778	1,128,066	1,082,317	1,020,545	n/a
Accumulated surplus, end of year	$ 1,245,367	$ 1,166,778	$ 1,128,066	$ 1,082,317	n/a
ANALYSIS OF EXPENSES BY OBJECT					
Salaries, wages and employee benefits	$ 315,711	$ 304,988	$ 286,499	$ 271,296	n/a
Operating expenses	215,534	204,873	192,745	198,096	n/a
External transfers to others	278,604	245,870	207,451	222,067	n/a
Debt services	11,094	8,553	9,225	10,216	n/a
Amortization	57,576	55,568	53,840	52,912	n/a
Total expenses by object	$ 878,519	$ 819,852	$ 749,760	$ 754,587	n/a

THE REGIONAL MUNICIPALITY OF NIAGARA

FIVE YEAR STATISTICAL REVIEW

(UNAUDITED - IN THOUSANDS OF DOLLARS)

	2010	2009	2008	2007	2006
CURRENT (OPERATING) FUND OPERATIONS					
Current (operating) fund surplus, beginning of year	$ -	$ -	$ -	$ -	$ 930
CURRENT FUND REVENUES BY SOURCE					
Property taxpayer	-	-	-	-	278,735
Sewer charges	-	-	-	-	53,461
Water charges	-	-	-	-	31,943
Waste management	-	-	-	-	39,264
User charges	-	-	-	-	42,613
Government of Canada grants	-	-	-	-	8,670
Province of Ontario grants	-	-	-	-	267,601
Investment income	-	-	-	-	5,338
Provincial offences act	-	-	-	-	5,493
Miscellaneous income	-	-	-	-	5,219
Total current fund revenues	-	-	-	-	738,337
CURRENT FUND EXPENDITURES BY FUNCTION					
General government	-	-	-	-	17,888
Protection to persons and property	-	-	-	-	117,202
Transportation services	-	-	-	-	27,330
Environmental services	-	-	-	-	70,514
Health services	-	-	-	-	48,325
Social and family services	-	-	-	-	308,376
Social housing	-	-	-	-	42,406
Planning and development	-	-	-	-	4,514
Recreation and cultural services	-	-	-	-	228
Total current fund expenditures by function	-	-	-	-	636,783
FINANCING ACTIVITIES AND TRANSFERS					
debt principal payments	-	-	-	-	(22,982)
Employee benefits and other liabilities	-	-	-	-	3,755
Landfill liability	-	-	-	-	(5,374)
Allowance for tax write-off	-	-	-	-	(1,318)
Change in non-financial assests	-	-	-	-	(33)
Net transfers to/from other funds					
- Capital fund	-	-	-	-	(471)
- Reserves and reserve funds	-	-	-	-	(74,550)
Total current fund financing activities and transfers	-	-	-	-	(100,973)
Current (operating) fund surplus, end of the year	$ -	$ -	$ -	$ -	$ 930
ANALYSIS OF CURRENT FUND EXPENDITURES BY OBJECT					
Salaries, wages and employee benefits	$ -	$ -	$ -	$ -	249,981
Materials and supplies	-	-	-	-	83,246
Contracted services	-	-	-	-	68,653
Rents and financial expenses	-	-	-	-	13,528
External transfers to others	-	-	-	-	212,404
Debt service charges for net long term liabilities	-	-	-	-	8,971
Total current fund expenditures by object	$ -	$ -	$ -	$ -	$ 636,783

THE REGIONAL MUNICIPALITY OF NIAGARA

FIVE YEAR STATISTICAL REVIEW

(UNAUDITED - IN THOUSANDS OF DOLLARS)

	2010	2009	2008	2007	2006
CAPITAL FUND OPERATIONS					
Capital fund surplus, beginning of year	$ -	$ -	$ -	$ -	$ 68
CAPITAL FUND REVENUES BY SOURCE					
Government of Canada grants	-	-	-	-	9,493
Province of Ontario grants	-	-	-	-	11,303
Other municipalities	-	-	-	-	11,721
Development charges	-	-	-	-	6,374
Developer contributions	-	-	-	-	278
Investment income	-	-	-	-	550
Other	-	-	-	-	954
Total capital fund revenues	-	-	-	-	40,673
CAPITAL FUND EXPENDITURES BY FUNCTION					
General government	-	-	-	-	22,561
Protection to persons and property	-	-	-	-	9,743
Transportation services	-	-	-	-	27,825
Environmental services	-	-	-	-	74,161
Health services	-	-	-	-	2,065
Social and family services	-	-	-	-	887
Social housing	-	-	-	-	2,076
Planning and development	-	-	-	-	1,003
Total capital fund expenditures by function	-	-	-	-	140,321
FINANCING ACTIVITIES AND TRANSFERS					
Long term debt issued and assumed	-	-	-	-	55,240
Net transfers to/from other funds					
- current fund	-	-	-	-	2,257
- Reserves and reserve funds	-	-	-	-	82,054
Total capital fund financing activities and transfers	-	-	-	-	139,551
Capital fund surplus, end of the year	$ -	$ -	$ -	$ -	$ 39,971
ANALYSIS OF CAPITAL FUND EXPENDITURES BY OBJECT					
Administration	$ -	$ -	$ -	$ -	$ 1,905
Equipment	-	-	-	-	7,393
Real property	-	-	-	-	2,044
Materials and supplies	-	-	-	-	1,801
Utilities	-	-	-	-	633
Contracted services	-	-	-	-	126,613
External transfers to others	-	-	-	-	(540)
Operation fund transfer	-	-	-	-	472
Total capital fund expenditures by object	$ -	$ -	$ -	$ -	$ 140,321
FUND BALANCES					
Current fund	$ -	$ -	$ -	$ -	$ 919
Capital fund	-	-	-	-	39,971
Reserves	-	-	-	-	56,722
Reserve funds (excludes development charges)	-	-	-	-	173,495
Fund balances, end of year	$ -	$ -	$ -	$ -	$ 271,107

THE REGIONAL MUNICIPALITY OF NIAGARA

FIVE YEAR STATISTICAL REVIEW

(UNAUDITED - IN THOUSANDS OF DOLLARS)

	2010	2009	2008	2007	2006
Property taxpayer	$ -	$ -	$ -	$ -	$ 278,735
Sewer charges	-	-	-	-	53,461
Water charges	-	-	-	-	31,943
Waste management	-	-	-	-	39,264
User charges	-	-	-	-	42,613
Government of Canada grants	-	-	-	-	18,163
Province of Ontario grants	-	-	-	-	278,904
Other municipalities	-	-	-	-	11,721
Development charges	-	-	-	-	6,374
Developer contributions	-	-	-	-	278
Investment income	-	-	-	-	10,934
Provincial offences act	-	-	-	-	5,493
Miscellaneous income/other	-	-	-	-	6,173
Total consolidated fund revenues by source	$ -	$ -	$ -	$ -	$ 784,056
TOTAL CONSOLIDATED FUND EXPENDITURES BY FUNCTION					
General government	$ -	$ -	$ -	$ -	$ 40,449
Protection to persons and property	-	-	-	-	126,945
Transportation services	-	-	-	-	55,155
Environmental services	-	-	-	-	144,675
Health services	-	-	-	-	50,390
Social and family services	-	-	-	-	309,263
Social housing	-	-	-	-	44,482
Planning and development	-	-	-	-	5,517
Recreation and cultural services	-	-	-	-	228
Total consolidated fund expenditures by function	$ -	$ -	$ -	$ -	$ 777,104
TOTAL CONSOLIDATED FUND EXPENDITURES BY OBJECT					
Salaries, wages and employee benefits	$ -	$ -	$ -	$ -	$ 249,981
Administration	-	-	-	-	1,905
Equipment	-	-	-	-	7,393
Real property	-	-	-	-	2,044
Materials and supplies	-	-	-	-	85,047
Utilities	-	-	-	-	633
Contracted services	-	-	-	-	195,266
Rents and financial expenses	-	-	-	-	13,528
External transfers to others	-	-	-	-	211,864
Operation fund transfer	-	-	-	-	472
Debt service charges for net long term liabilities	-	-	-	-	8,971
Total consolidated fund expenditures by object	$ -	$ -	$ -	$ -	$ 777,104

NOTES:

IN 2008, FINANCIAL REPORTING CHANGED TO REFLECT THE NEW REQUIREMENTS UNDER PUBLIC SECTOR ACCOUNTING BOARD (PSAB) STANDARD 3150 - ACCOUNTING FOR TANGIBLE CAPITAL ASSETS. STATISTICAL INFORMATION FOR 2006 HAS NOT BEEN RESTATED, HOWEVER, IT HAS BEEN PROVIDED IN THE PRIOR FORMAT.

BUILDING COMMUNITY, BUILDING LIVES FOR

FORTY YEARS

BUILDING COMMUNITY, BUILDING LIVES FOR

FORTY YEARS